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November 9, 2007

TO: Each Supervisor

FROM: Bruce A. Chernof, M.D.
Director and Chief Medical Officer

SUBJECT: **SB 474 – SOUTH LOS ANGELES MEDICAL SERVICES
PRESERVATION FUND**

On October 12, 2007, Governor Arnold Schwarzenegger signed into law Senate Bill (SB) 474 which established a \$100.0 million annual fund to stabilize health services for low-income, underserved populations of South Los Angeles. The "South Los Angeles Medical Services Preservation Fund" ("Fund") is intended to address the regional impact of the closure of Martin Luther King, Jr. (MLK) - Harbor Hospital and will help defray County costs for treating uninsured patients in the South Los Angeles area. SB 474 was authored by Senator Sheila Kuehl in coordination with California's public and private hospital systems with the cooperation and support of the State Administration. It passed the Assembly on a 78-0 vote and the Senate on a 38-0 vote.

FUND TERMS

The Fund is \$100.0 million annually and is available to Los Angeles County for services rendered to the uninsured South Los Angeles population formerly served by MLK-Harbor Hospital. The amount of the Fund approximates the Disproportionate Share Hospital and Safety Net Care Pool funds that would have gone to MLK-Harbor Hospital had it remained open.

The amount of the Fund for Fiscal Year 2007-2008 is \$87.7 million and reflects 10.5 months of funding based on an August 15, 2007, implementation date.

The Fund will be available for three years or the recertification of the hospital, whichever is earlier. The County must maintain its current level of County, system-wide funding or the Fund will be reduced. Unused dollars from the Fund from one fiscal year will not roll-over for use in subsequent years.

In addition, Los Angeles County will make an annual intergovernmental transfer (IGT) of \$5.0 million. This amount will draw down \$5.0 million in Federal matching funds. This \$10.0 million must be used for supplemental Medi-Cal payments to designated private hospitals that are serving the South Los Angeles population formerly served by MLK-Harbor Hospital. The IGT amount in Fiscal Year 2007-2008 is estimated to be \$4.4 million.

FUND DISTRIBUTION

The Department of Health Services (DHS) intends to allocate Fund dollars to DHS facilities and to private sector providers who are providing services to the uninsured who reside in South Los Angeles (Attachment I). Fund dollars that are allocated to the private sector will be used for:

- Hospital Cost for Indigent MLK Patients (9-1-1 Transports) (\$10.2 million). Nine hospitals that were impacted by the re-drawing of the ambulance service areas following the closure of MLK-Harbor Hospital were designated "impacted hospitals" and were offered contracts to receive reimbursement for uninsured patients brought by 9-1-1 ambulance from identified zip codes previously served by MLK-Harbor Hospital. Seven of the nine hospitals have signed contracts to date.
- St. Vincent Medical Center – MetroCare Transfer Patients (\$3.7 million). Patients transferred to St. Vincent Medical Center from DHS and impacted hospitals as part of the impacted hospital transfer program.
- Private Physician Reimbursement (\$3.0 million). Physician reimbursement to those physicians who care for uninsured patients from the MLK service area who are seen at the impacted hospitals. Physicians are paid through the County Emergency Medical Services (EMS) Physician Indigent Reimbursement Program.
- Urgent Care Services (\$1.0 million). Urgent care expansion at Public Private Partnership (PPP) clinics in Service Planning Area (SPA) 6. \$1.0 million dollars annually will be allocated to provide and/or expand evening and weekend urgent care and/or walk-in visits. To expedite the distribution of these dollars they will be made available to interested SPA 6 PPP clinics as an amendment to their existing contracts. It is the intent of the Department to immediately enter into contract amendment discussions with interested SPA 6 PPP providers.
- Strategic initiatives to expand access to primary, specialty, and urgent care services in South Los Angeles (\$5.0 million). \$5.0 million will be directed toward strategic initiatives and will be made available through a solicitation process that will be initiated by the Department before the end of the year. Eligible applicants would include PPPs in SPA 6 and impacted hospitals. Matching funds and partnerships will be encouraged. The Department will be seeking community and provider input for the parameters that will be included in the solicitation.

Fund dollars that are allocated to DHS facilities will be used for:

- Other County Hospitals (\$10.2 million). Inpatient beds at Harbor-UCLA Medical Center and Rancho Los Amigos National Rehabilitation Center that have been opened to maintain the 153-bed capacity that existed at MLK-Harbor Hospital at the time of the August 2006 Centers for Medicare and Medicaid Services (CMS) survey.
- MLK-Harbor Multi-Service Ambulatory Care Center (MACC) (\$66.9 million). Primary, specialty, and urgent care services to uninsured individuals who receive services at the MLK MACC.

In addition, the \$10 million for supplemental Medi-Cal payments (\$5.0 million Federal matching and \$5.0 million County IGT) will pay designated impacted hospitals for services provided to Medi-Cal patients from the MLK service area.

I will continue to update you on the status of the South Los Angeles Medical Services Preservation Fund. If you have any questions or need additional information, please let me know.

BAC:ct

Attachment

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors

**LOS ANGELES COUNTY - DEPARTMENT OF HEALTH SERVICES
SOUTH LOS ANGELES MEDICAL SERVICES PRESERVATION FUND
NOVEMBER 9, 2007
(\$ in Millions)**

ATTACHMENT

	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>Total</u>
<u>Private Facility Funding</u>				
Hospital Cost for Indigent MLK Patients (9-1-1 Transports)	\$ 8.960 ⁽¹⁾	\$ 10.242 ⁽²⁾	\$ 10.242 ⁽²⁾	\$ 29.443
St. Vincent Hospital MC Transfer Patients	3.196 ⁽³⁾	3.653 ⁽⁴⁾	3.653 ⁽⁴⁾	10.502
Private Physician Reimbursement	2.614 ⁽⁵⁾	2.987 ⁽⁶⁾	2.987 ⁽⁶⁾	8.588
Urgent Care Centers	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>3.000</u>
Subtotal Private Facility Funding	\$ 15.770	\$ 17.882	\$ 17.882	\$ 51.534
<u>Strategic Initiatives</u>	<u>5.000</u>	<u>5.000</u>	<u>5.000</u>	<u>15.000</u>
Subtotal Private Facility Funding & Strategic Initiatives	<u>\$ 20.770</u>	<u>\$ 22.882</u>	<u>\$ 22.882</u>	<u>\$ 66.534</u>
<u>County Facility Funding</u>				
Other County Hospitals ⁽⁷⁾	\$ 8.900	\$ 10.171	\$ 10.171	\$ 29.243
MLK-H MACC Uninsured Costs	<u>58.035</u>	<u>66.947</u>	<u>66.947</u>	<u>191.929</u>
Subtotal County Facility Funding	<u>\$ 66.935</u>	<u>\$ 77.118</u>	<u>\$ 77.118</u>	<u>\$221.172</u>
TOTAL SOUTH LOS ANGELES MEDICAL SERVICES PRESERVATION FUND	<u>\$ 87.705 ⁽⁸⁾</u>	<u>\$100.000</u>	<u>\$100.000</u>	<u>\$287.706</u>
County Funding ⁽⁹⁾	\$ (4.385)	\$ (5.000)	\$ (5.000)	\$ (14.385)
Supplemental Medi-Cal Payments (IGT + FFP)	\$ 8.770	\$ 10.000	\$ 10.000	\$ 28.770

(1) This amount reflects 80% of estimated cost of \$12.802 million and represents 10.5 months funding, based on an August 15, 2007 implementation.

(2) Based on 80% of projected maximum of 1,008 indigent admitted patients up to a 6.0 day stay @ \$1,950 per day and 4,032 Indigent Treat & Release patients @ \$250 per day.

(3) This amount reflects 10.5 months of funding based on 7 months actual information through July 2007.

(4) Annualized based on 7 months actual information through July 2007.

(5) This amount reflects 80% of estimated cost of \$3.534 million and represents 10.5 months of funding. In addition to the \$3.534 million, it also accounts for \$0.200 million at 80% for 10.5 months for St. Vincent Hospital MC physician reimbursement for transfer patients.

(6) Based on 80% of projected maximum of 1,008 indigent admitted patients @ 9.4 claims per stay @ \$142 per claim, 4,032 Indigent Treat & Release patients @ 1.7 claims per patient @ \$142 per claim, and 9,660 indigent walk-in patients @ 1.7 claims per patient @ \$74 per claim; and \$0.2 million for St. Vincent Hospital MC Physician reimbursement for transfer patients.

(7) These estimates are for H/UCLA and RLA.

(8) Reflects 10.5 months of funding, based on an August 15, 2007 implementation, except funding for the Urgent Care Centers and Strategic Initiatives which are not adjusted for the implementation date.

(9) These amounts represent County funds to be used for an intergovernmental transfer (IGT) to draw-down Federal matching funds.